



# **Existing Renewable Facilities Program Proposed Guidebook Changes**

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# Existing Renewable Facilities Program

**Goal: Support economic viability of existing renewable projects.**

- Provides production incentives to existing renewable generation facilities.
- Currently eligible technologies: solid-fuel biomass, solar thermal electric (STE), wind.
  - Solid-fuel biomass and STE facilities currently receive production incentives.
  - Wind facilities are eligible but they currently don't qualify for assistance.



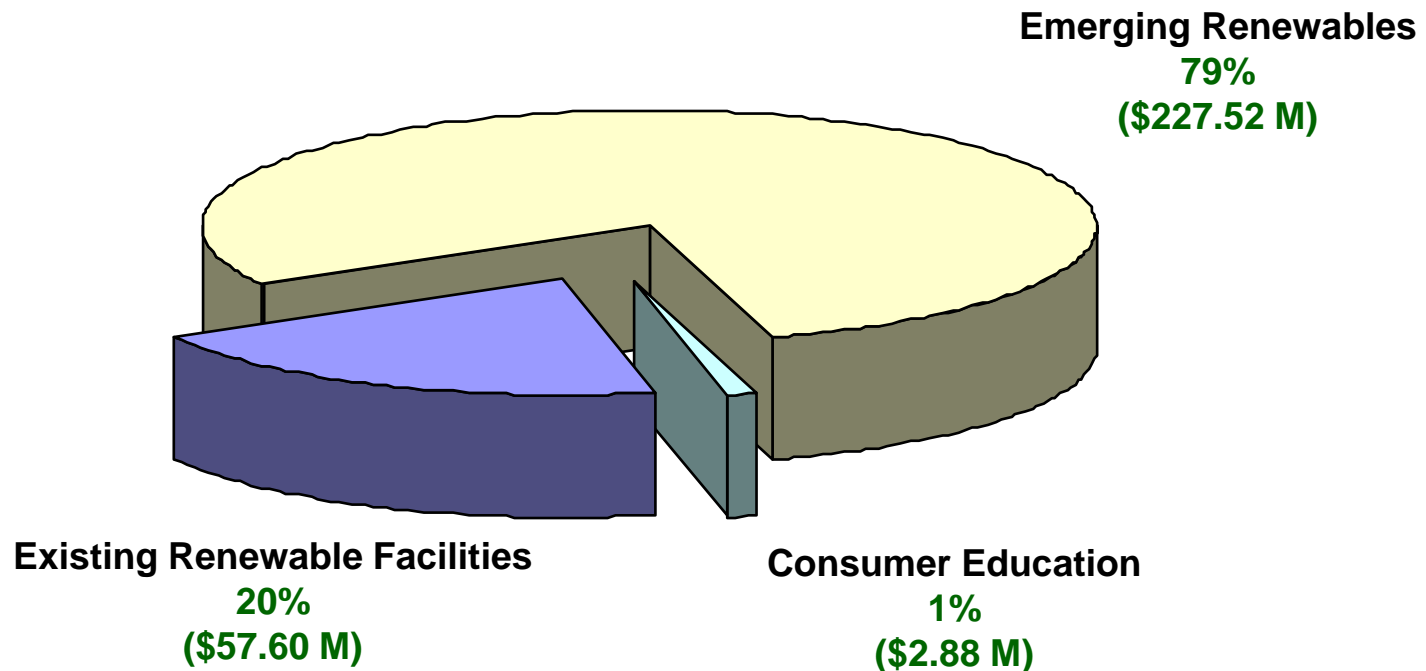
# ERFP (cont.)

- Has helped 273 existing renewable facilities remain competitive or return to service:
  - \$267 MM over 10 years
  - 4,400 MW of Renewable Energy capacity



## California Energy Commission

# Renewable Energy Program 2008-2011 Funding Allocations under SB 1036 \$288 Million\*



\*Dollars collected are estimated at an average of \$72 million per year for four years. The total amount collected each year is adjusted annually at a rate equal to the lesser of the annual growth in electric commodity sales or inflation, as defined by the gross domestic product deflator.



# Background Information

- December 13<sup>th</sup>, 2007 Renewable Committee Workshop
  - The criteria used to evaluate individual applications was unclear to the industry.
  - The process appeared to be too subjective.
  - Preference for a simple, less labor intensive approach to make funding award decisions.
- ERF Application Ranking System (EARS)
  - Facilities were ranked in four (4) categories and monetary value was placed on ranking
    - Increased Generation
    - Major Improvements
    - Plant Efficiency and Performance
    - Energy Price Deficiency



# Background Information (cont.)

- EARS WebEx Conference
  - Two meetings in January to discuss how the EARS matrix works
- Draft Guidebook
  - Staff prepared a draft Guidebook incorporating EARS
  - CBEA and STE facilities were sent copy in mid March
  - When EARS was incorporated into the guidebook, the comments were that it was too complicated
- 4 options were then submitted to the Renewables Committee
  - Options were designed to:
    - Simplify program implementation
    - Increase program transparency
  - 3 were staff options
  - 1 was CBEA option



# Proposed Guidebook Changes

- Revisions clarify the following:
  - Fossil fuel reporting and 5% de minimus
  - Definition of an Existing Renewable Facility
  - Eligible generation (is only that sold to the grid)
  - Generation Invoices (facilities must submit an invoice even for months not paid)



# Proposed Guidebook Changes (cont.)

- Facility must completely fill out application
  - Application (CEC-1250E-1)
  - Authorized Signature (CEC-1250E-3)
  - Biomass and Fossil Fuel Usage Report for Biomass Facilities (CEC-1250E-4)
  - State of California Vendor Data Record (STD-204)
- Commission may request attestation from facilities' fuel suppliers





# Options 1-4

- Required information for all 4 options
  - Cumulative amount of funds previously received
  - Value of past and current tax credits
  - Facilities contract price for energy and capacity
  - Market value of facility
  - Estimate of incentive payment needed and explanation
  - Explanation of how incentive payment will allow facility to become cost competitive by 2011



# Estimated Payouts for 2008

- Option 1 - \$15.6 million
  - Facilities that receive lower energy price receive more funding
- Option 2 - \$22.6 million
  - Does not distinguish between biomass and STE
- Option 3 - \$20 million
  - Focuses on individual evaluation of facilities
- Option 4 - \$24.2 million
  - Payout may over subscribe funds



# Option 1 – Funding Structure

- 5 Tiers by Contract Price
  - Incentive Caps are based on contract price and technology
  - All Biomass receive 6.45 cent target price
  - All STE receive a 6.15 cent target price
    - Tier 1 – Average energy price below 4.95 cents
      - 2 cent incentive cap
    - Tier 2 – Average energy price between 4.96 and 5.60 cents
      - 1.5 cent incentive cap



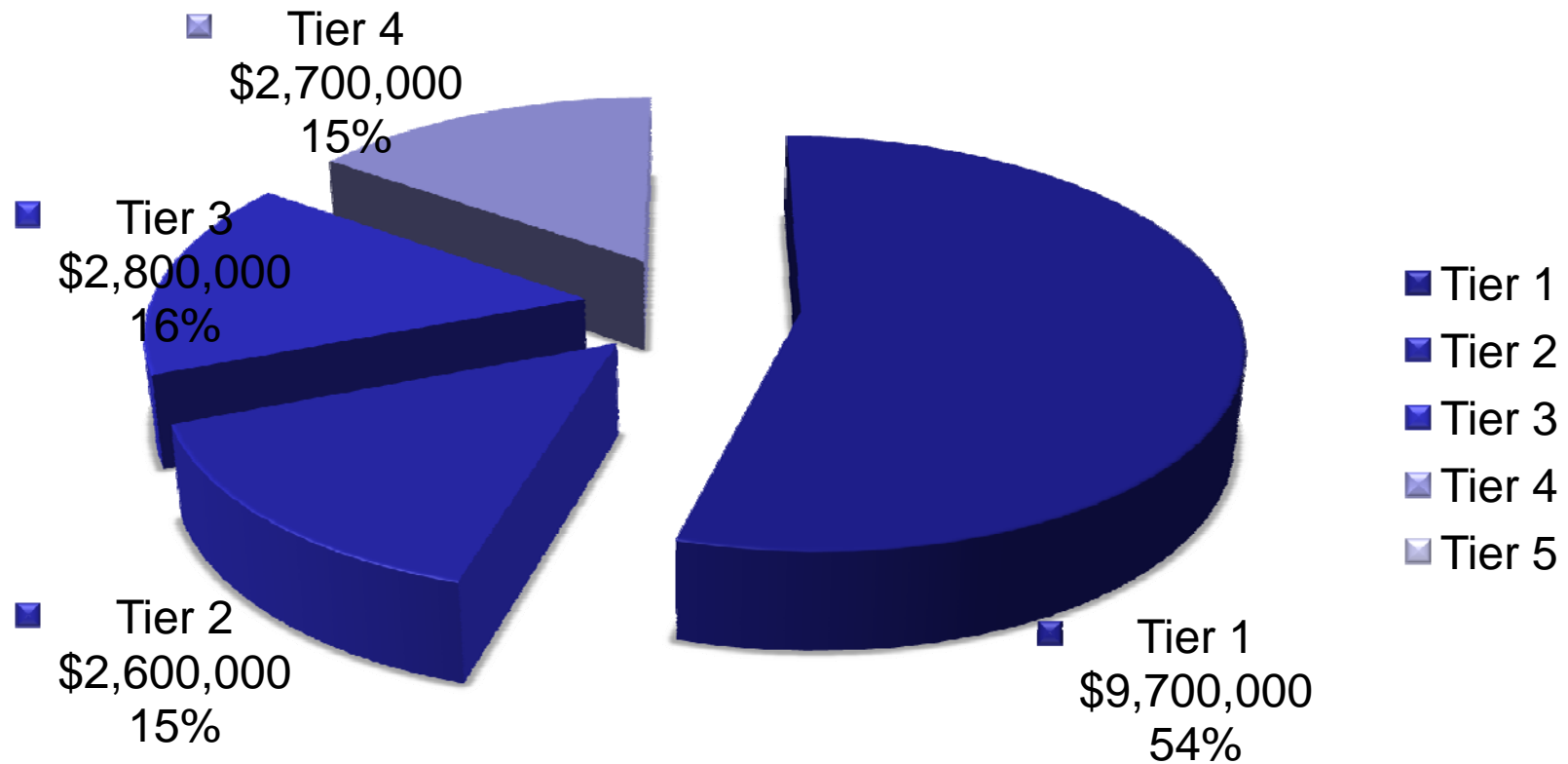
# Option 1 (cont.)

- Tiers by Contract Price (cont.)
  - Tier 3 – fixed average energy price of 6.15 cents
    - 0.75 cent for biomass and .50 cent for STE incentive cap
  - Tier 4 – Average energy price of 6.45 cents
    - 0.25 cent incentive cap
  - Tier 5 – Average energy price above 6.45 cents
    - 0.00 cent incentive cap



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### Estimated Annual Payout (2009-2011) \$18 MM Estimated 2008 Payout (\$15.6 MM)





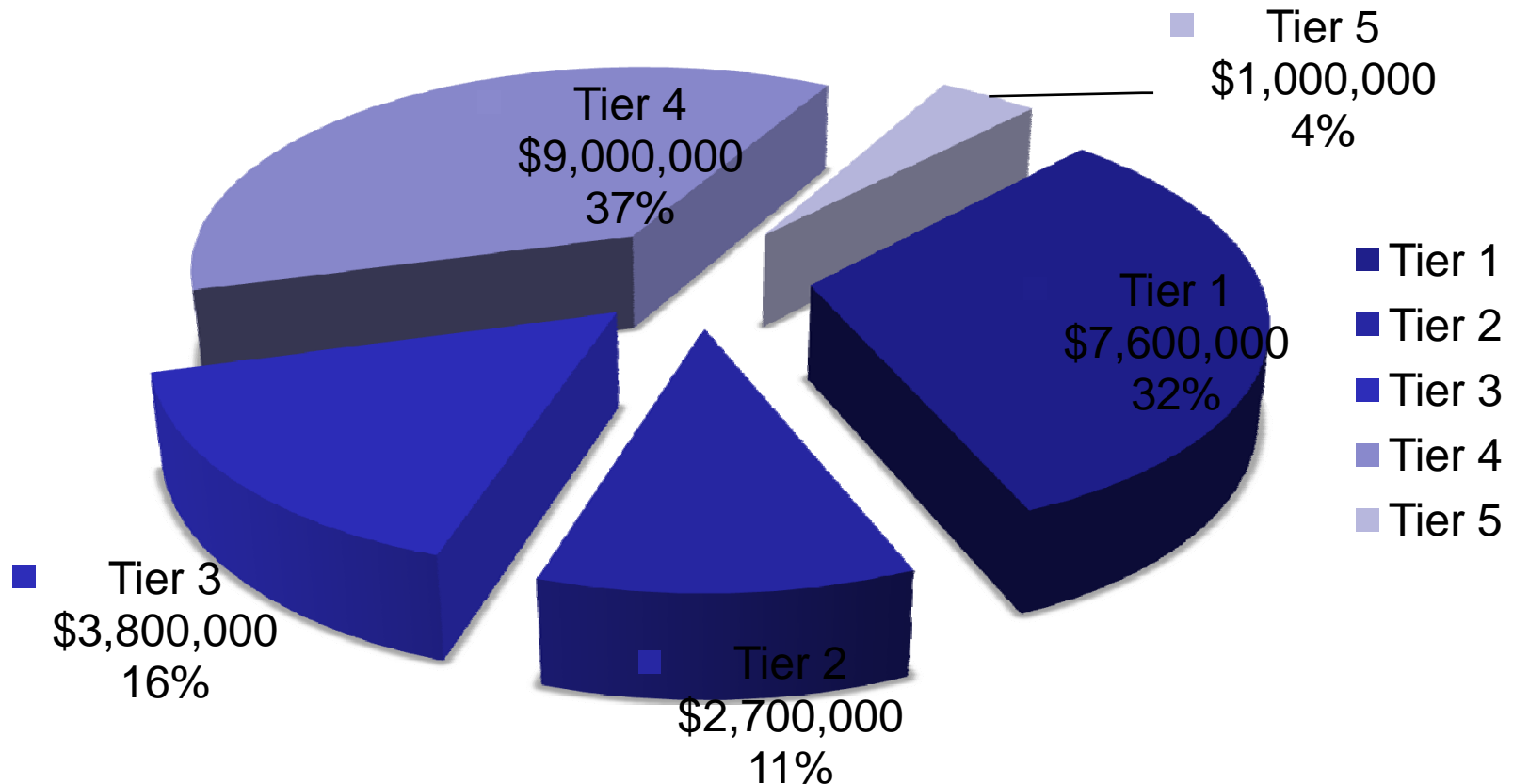
# Option 2 – Funding Structure

- California Biomass Energy Alliance Proposal
  - Production incentive based on contract price, not technology
  - Does not differentiate between energy price deficient facilities
    - 6.50 cent target price for Biomass and STE PG&E
    - 6.20 cent target price for Biomass and STE SDG&E/SCE
    - All facilities receive a 1.5 cent incentive cap



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**Estimated Annual Payout (2009-2011) \$23.9 MM**  
**Estimated 2008 Payout \$22.6 MM**





# Option 3 – Funding Structure

- EARS – Single Target Price
  - A single target price will be set for all facilities and the EARS matrix will be used to determine an incentive cap for each individual facility
    - Biomass and STE target price is 6.45 cents
      - Target price increase 0.01 cents per year
    - Incentive cap range from 0.00 to 2.00 cents





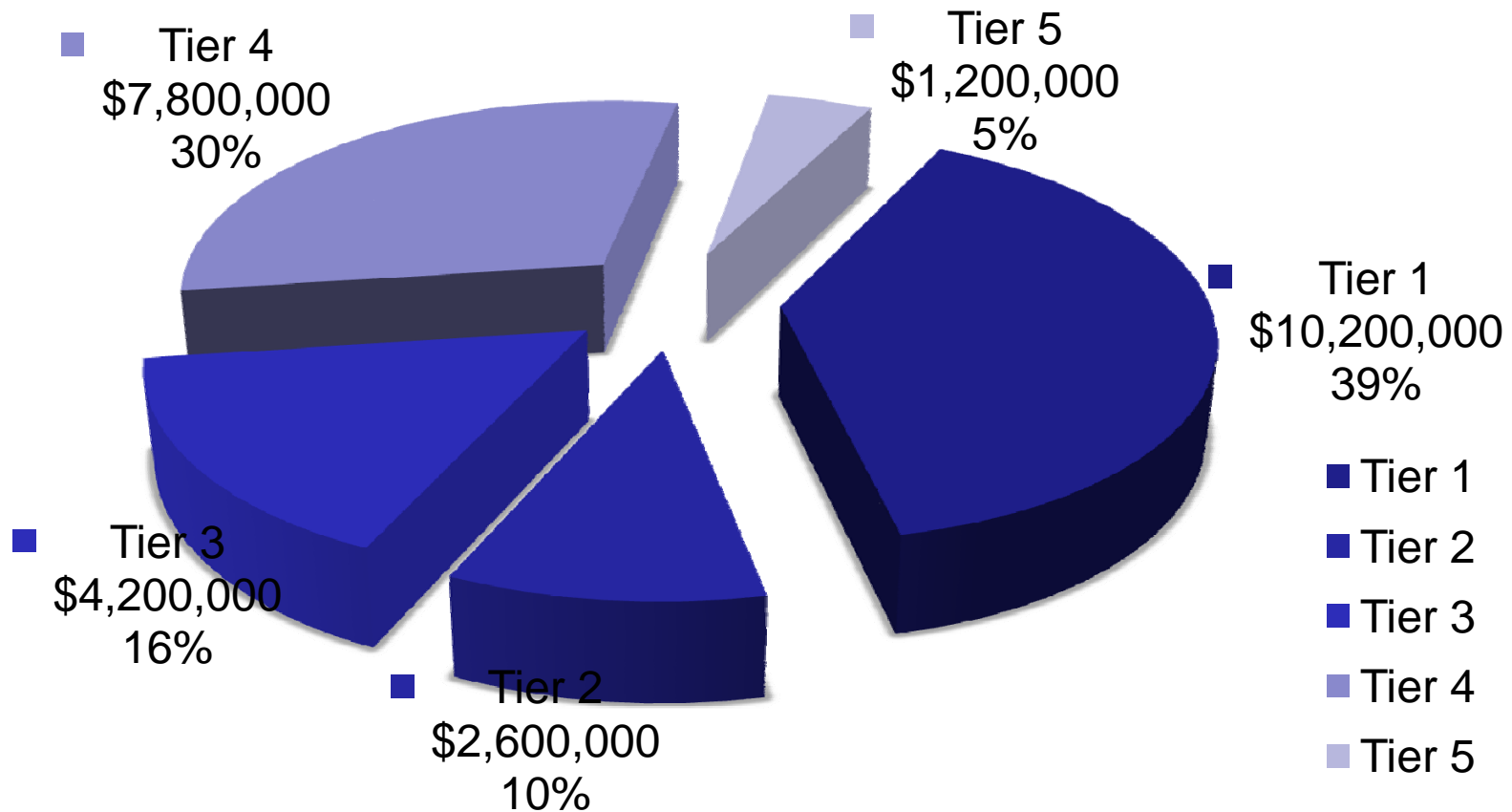
# Option 4 – Funding Structure

- Technology-Specific Target Price
  - Similar to how the program was run from 1998-2006
  - Biomass and STE would each receive a different target price
    - Biomass: 6.45 cents; STE: 6.15 cents
  - All facilities would receive same incentive cap except for orphans, which would be higher
    - 1.5 cent incentive cap; 2.0 cent incentive cap for facilities with average energy price 4.95 or less



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**Estimated Annual Payout (2009-2011) \$26 MM**  
**Estimated 2008 Payout \$24.2 MM**





## Process for Adopting 5<sup>th</sup> Edition *Guidebook*

- The 4<sup>th</sup> Edition *Guidebook*, adopted on March 14, 2007, incorporated changes from SB 1250.
- Staff recommends revisions in response to 2007 “lessons learned”.
- Staff will go before the Renewables Committee and propose one of the four options.
- The 5<sup>th</sup> Edition *Guidebook* will incorporate the decision.



# Next Steps/Outstanding Issues

- Staff encourages public feedback both at Staff Workshop and in writing – DUE Monday June 17th
- Staff will present the public comments to the Renewables Committee on June 23



## California Energy Commission

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